



GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Chief Financial Officer  
Office of Tax and Revenue



# 2002 CORPORATION FRANCHISE TAX BOOKLET D-20

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## **If you need to file any of the following:**

Form FP-31 Personal Property Tax Return

Form FR-800A or 800M Sales and Use (Annual or Monthly) Tax Return

Form FR-900A or 900M Employer's Withholding (Annual or Monthly) Tax Return

Call **(202) 727-4TAX(4829)** for information

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### **DISTRICT WILL NOT ALLOW ADDITIONAL DEPRECIATION**

Under new IRS rules, for federal tax purposes, businesses are eligible to deduct an additional first-year bonus depreciation amount equal to 30% of the cost of capital assets placed in service between September 10, 2001 and September 11, 2004.

For District tax purposes, taxpayers are not permitted to claim this 30% Bonus Depreciation. Depreciation for District tax purposes is computed without reducing the basis of the assets by 30%.

### **DISTRICT DOES NOT ALLOW NET OPERATING LOSS TO BE CARRIED BACK TO PRIOR TAX YEARS**

Federal tax rules provide that, for federal tax purposes, businesses are allowed to carryback a net operating loss (NOL) to each of the 2 taxable years preceding the taxable year of such loss. Recent federal legislation extends this to 5 years.

For District tax purposes, for tax years beginning after 12/31/99, taxpayers are not permitted to carryback net operating losses.

**For all taxable year 2001, 2002, 2003 and 2004 tax returns:** If a taxpayer has included (or includes) either the 30% Bonus Depreciation or the NOL carryback permitted for federal tax purposes in the calculation of District Taxable Income, the 30% Bonus Depreciation must be removed from the amount of depreciation deducted. Furthermore, the NOL carryback is not to be used in calculating District Taxable Income.

**For Form D-20 and D-30 filers,** line 20, page 1 of the D-20 and the D-30 should be adjusted to eliminate the amount of the Special or 30% Bonus Depreciation for property acquired after 9/10/2001 that is claimed on IRS Form 4562, Part II (or wherever the amount of the Special or 30% Bonus Depreciation for property acquired after 9/10/2001 is listed). For District tax purposes, taxpayers are allowed to deduct an amount of depreciation equal to depreciation calculated without regard to section 168(k) of the Internal Revenue Code.

If a taxpayer has already filed a tax return for the taxable year 2001, and used the 30% Bonus Depreciation in calculating the amount of depreciation deducted on the D.C. tax return, the taxpayer is required to file an amended D.C. tax return for 2001 and to back out the bonus depreciation.

**Note:** for D.C. tax purposes the basis of the property being depreciated should not be reduced by the federal 30% bonus depreciation amount.

### **OFFICE OF TAX AND REVENUE RULINGS**

On July 1, 2002, the Office of Tax and Revenue (OTR) announced that it will review rulings related to certain taxes administered by OTR. These rulings include: income tax; franchise tax; personal property tax; sales tax; gross receipts tax; and employee withholding tax. The review will not cover rulings relating to excise tax, real property or tax-exempt status.

During the period July 1, 2002 through December 31, 2002, OTR will review letter rulings in its files and any OTR rulings submitted for review by a taxpayer who received the ruling and who intends to use it for tax years beginning after December 31, 2002.

Rulings not submitted to OTR for review will generally be revoked as of December 31, 2002. Questions should be directed to Janet James Mahon at 202-442-6500 or by e-mail to [OTRRuling@dc.gov](mailto:OTRRuling@dc.gov).

# CORPORATION FRANCHISE TAX RETURN INSTRUCTIONS

## **GENERAL INSTRUCTIONS**

**NOTE:** Do not take the same depreciation deduction on your Form D-20 as that claimed on your federal return *if* the federal return deduction includes the special 30% bonus depreciation deduction allowed by federal law. For District tax purposes, you must reduce the amount claimed on your Form D-20 by any special depreciation deduction claimed on your federal return.

The corporation franchise tax rate is 9.975%.

All items on the Form D-20, Corporation Franchise Tax Return, must be completed, otherwise, the return will be sent back to you. ***Do not use phrases such as "see attached schedule" in lieu of reporting amounts.*** However, you may provide additional information in an attached statement. Please make sure that your correct tax year (beginning and ending dates) is entered in the space provided on the form.

Enter only whole dollar amounts on the tax forms and schedules. Do not enter cents.

**Refund Offset:** If you have other District of Columbia tax liabilities, all or part of any overpayment may be used (offset against) to pay these past due amounts.

**Forms:** Copies of all D.C. forms and publications mentioned in this booklet may be obtained by calling 202-442-6546. For tax information call 202-727-4TAX (4829). You may also visit our website—[www.dc.gov](http://www.dc.gov).

**Tax Fraud Hotline:** Call 800-380-3495 to report fraudulent tax activity.

## **TAX CREDIT – QUALIFIED HIGH TECHNOLOGY COMPANIES (QHTC)**

Effective beginning with tax year 2001, District of Columbia businesses that qualify may claim tax credits for reimbursed employees' relocating costs, for wages paid to qualified employees, and for retraining costs and wages paid to certain disadvantaged employees. Corporations may claim these tax credits on Form D-20CR. All returns claiming the QHTC credits should include Form QHTC-CERT. If you are filing as a QHTC please fill in the oval on page one of the D-20 return.

Only businesses that are certified as being a QHTC may claim the credits.

### **Employment Relocation Cost Tax Credit**

A QHTC may claim a tax credit for expenses reimbursed to certain employees who relocate their employment to the District. A larger credit is available if certain employees relocate their residency to the District.

### **Wages Paid to Qualified Employees Tax Credit**

A QHTC may claim a tax credit for 10% of the wages paid during a 24-calendar month period to certain employees who are employed in the District after December 31, 2000.

### **Retraining Cost for Qualified Disadvantaged Employees Tax Credit**

A QHTC may claim a tax credit for the cost of retraining certain disadvantaged employees, or may receive an immediate refund of one-half of the unused credit. The credit may be claimed for training during the first 18 months of employment.

### **Wages Paid to Qualified Disadvantaged Employees Tax Credit**

A QHTC may claim a tax credit for 50% of the wages paid during a

24-calendar month period to certain disadvantaged employees who are employed in the District.

### **Tax Credit for the QHTC Reduction in Franchise Tax**

A QHTC may claim a tax credit for the difference between the regular franchise tax rate and the special QHTC franchise tax rate. This credit reduces the effective tax rate to 6 percent.

A QHTC may elect to expense certain depreciable business assets. The deduction allowed is the lesser of \$40,000 or the actual cost of property described in Internal Revenue Code Section 179(I).

The Employment Relocation Cost Tax Credit, the Wages Paid to Qualified Employees Tax Credit, the Wages Paid to Qualified Disadvantaged Employees Tax Credit and the Tax Credit for the QHTC Reduction in Franchise Tax are non-refundable credits.

If the amount of these credits exceeds the tax liability, the unused amount of the credits may be carried forward for up to 10 years.

One half of any unused Retraining Cost for Qualified Disadvantaged Employees Tax Credit is refundable even if no tax is owed or you may elect to have all of the unused credit carried forward.

For forms and more details see the pamphlet FR-399, Qualified High Technology Companies.

### **Consolidated Returns - D.C. Corporate Franchise Tax**

Corporations belonging to an affiliated group (within the meaning of IRC section 1504(b)) may elect to file a D.C. tax return which consolidates the D.C. taxable income of all members of the group. If a group has made a federal consolidation election and their election is revoked or terminated then the D.C. election will automatically be revoked or terminated.

To file a D.C. consolidated return, an affiliated group must file a federal consolidated return under IRC section 1501. Each member of a District of Columbia affiliated group must have income derived from sources within the District of Columbia. A consolidated D.C. return may be required if the Office of Tax and Revenue determines that an affiliated group eligible to file a consolidated return, but which has not elected to do so, must file a consolidated return to prevent the evasion of taxes or to properly reflect the taxable income attributable to business conducted in the District by members of the group.

In taxable years after an election has been made to file a consolidated return; any corporation having income from D.C. sources and becoming a member of the electing group is deemed to have waived any objection to the group's filing a consolidated return with the District of Columbia.

The income of a corporation, which belongs to an affiliated group for part of a year, is includible in the group's income to the extent attributable to the period of membership. All members of an affiliated group are jointly and severally liable for the taxes, interest and penalties of the group.

All intercompany transactions between or among members of a District of Columbia group will be eliminated in determining the District of Columbia apportionment factors.

An intercompany transaction is one between corporations that are members of the same District of Columbia affiliated group immediately before and after the transaction.

Internal Revenue tax regulations § 1.1502 et seq. and interpretations thereof regarding intercompany transactions apply in determining the taxable income or loss of a District of Columbia affiliated group.

Any deferred gain, loss or deduction from a prior transaction with a

member of a District of Columbia affiliated group is recognized for D.C. tax purposes when the member subsequently ceases to be a member or when the asset involved is transferred to a corporation which is not a member of a D.C. affiliated group.

All supplementary and supporting schedules filed with a District of Columbia consolidated return are to be prepared in columnar form, one column being provided for each corporation included in the consolidated return. Supporting schedules for a consolidated return shall also include a column for totals of like items before adjustments are made, a column for intercompany eliminations and adjustments, and a column for totals of like items after giving effect to eliminations and adjustments.

If you are filing a consolidated return please fill in the oval on page one of the D-20 to indicate the consolidated filing. On a separate statement (filed with the D-20 return) list all the District of Columbia affiliates within the consolidated filing group and their respective Federal Employer Identification Numbers. Separate computations for each affiliate must also be provided for lines 1 through 36 of the D-20. The separate computations should reflect the elimination of inter-company transactions.

To make the election to file a District of Columbia consolidated franchise tax return, the common parent must complete (Form D-20C) the election to file a consolidated corporation franchise tax return form. The Authorization and Consent of a Subsidiary Corporation (Form D-20 CS) must be completed by each subsidiary member of the District of Columbia affiliated group. Attach the completed forms to the District consolidated franchise tax return and also attach a completed affiliations group schedule (Form D-20 AG) to the District of Columbia consolidated franchise tax return. Attach an affiliations schedule to the return for each subsequent tax year.

Entries on the form for the consolidated return filing begin with line 36, total District taxable income. A company claiming Qualified High Technology Company tax credits cannot be part of a D.C. consolidated tax return.

**A. CORPORATIONS REQUIRED TO FILE A FRANCHISE TAX RETURN:** Generally, every corporation (including small businesses, professional and S corporations) carrying on or engaging in any trade, business or commercial activity within the District or receiving income from District sources, including activities in the District that benefit an affiliated entity of the taxpayer is required to file Form D-20, unless the right to exemption has been established. Whether a corporation is carrying on or engaging in a trade or business in the District is determined by the nature and extent of the corporation's activities in the District conducted either by its own employees or through agents or other representatives.

Corporate general partners and corporate limited partners of a partnership that files an unincorporated business franchise tax return (Form D-30) are considered to be engaging in a trade or business and are required to file a Form D-20 return. Use line 24 (Other Deductions) to deduct the corporate partner's distributive share of income on which the tax was paid by the unincorporated business.

Services performed for subsidiary corporations constitute carrying on a trade or business. Therefore, dividends received from such subsidiaries are considered to be business income subject to taxation.

A corporation is considered to be engaged in a trade or business in the District and is required to file a Form D-20 franchise tax return if it: (1) has or maintains an office, warehouse or other place of business in the District; or (2) has an officer, agent or other representative with an office or other place of business in the District.

The words "trade or business" do not include sales of tangible personal property by a corporation if the corporation does not have or maintain an office, warehouse or other place of business in the District; or does not have goods in the District in a warehouse or on consignment (or under a similar agreement); and does not have an officer, agent or other

representative with an office or other place of business in the District. For purposes of exclusion from the requirement to file a return, the words "agent" or "representative" do not include an independent broker engaged in soliciting orders in the District for "more than one principal" and who holds himself/herself out as such.

Notwithstanding the foregoing exclusions from the words "trade or business", it is not necessary for a corporation to have an office or other place of business in the District in order to be required to file a franchise tax return. If a corporation derives income from work done or services performed within the District, or from any type of business activity in the District, including sales of tangible personal property, or receives income from District sources, it must file a Form D-20.

Income from sales of tangible personal property to the United States Government is considered to be income from a District source unless:

1. the principal place of business of the corporation is outside the District;
2. the property is delivered from outside the District; and
3. the property is for use outside the District.

Organizations which have been recognized as exempt from the D.C. franchise tax are subject to tax on unrelated business income as defined in section 512 of the Internal Revenue Code. The minimum tax requirement of \$100 is also applicable to any tax-exempt organization which reports gross income received from any unrelated trade or business activity.

An organization described under Section 527 of the Internal Revenue Code is subject to tax on taxable income as defined under Section 527 without regard to a specific deduction under that section. Taxable income is reportable on Form D-20. The minimum tax requirement of \$100 is also applicable.

An organization exempt from District taxation must, in order to maintain its tax-exempt status, provide the District with a copy of its IRS Form 990, 990PF or 990EZ. Such forms should be mailed to the Office of Tax and Revenue, P.O. Box 556, Washington, D.C. 20044-0556.

**B. RATE AND MEASURE OF TAX:** The franchise tax is determined by applying the tax rate to the total taxable income, which is the sum of (a) the portion of the total net income from a trade or business attributable to business done in the District and (b) other net income from District sources. The minimum tax payable is \$100. How to determine total taxable income is explained later in the specific instructions.

**C. WHEN AND WHERE TO FILE THE RETURN AND PAY THE TAX:** The corporation franchise tax return together with full payment of any tax due must be submitted on or before March 15th for calendar year filers, and the fifteenth day of the third month following the close of the taxable year for fiscal year filers. If the due date falls on a Saturday, Sunday, or legal holiday, the return is due the following business day.

Mail the return and payment to the Government of the District of Columbia, Office of Tax and Revenue, Ben Franklin Station, P.O. Box 601, Washington, D.C. 20044-0601. Make the check or money order payable to the D.C. Treasurer. Write on the payment your Federal Employer Identification Number, D-20 and the tax year.

A Form D-20 return reporting unrelated business income of an exempt organization is due by the 15th day of the fifth month following the end of the taxable year.

**D. EXTENSION OF TIME TO FILE:** You may request an extension of time to file a corporate franchise tax return by filing D.C. Form FR-128 on or before the due date of the return. **Full payment** of any tax liability, minus credits, is due with the extension request otherwise the request will be denied. Copies of a federal request for an extension of time to file are not acceptable.

**E. AMENDED RETURNS:** When filing an amended return, you must use the Form D-20 of the same year you are amending. If the return is for 2001 or later fill in the "Amended Return" oval. Also, you must complete the "Taxable Year Ending" box for the tax year being amended and attach a detailed statement of the adjustment(s). A "COPY" of the originally filed Form D-20 must be attached to the amended return.

If the Internal Revenue Service makes any adjustment to your federal corporate tax return or if you file an amended return with the Internal Revenue Service, you must submit within 90 days thereafter, separately from your current franchise tax return, an amended D.C. franchise tax return.

If the Federal adjustment results in a D.C. tax refund, you have 180 days in which to file for the refund.

**NOTE:** Form D-2030X, previously used to amend Form D-20 is obsolete and should not be used. Prior year forms may be obtained by calling 202-442-6546.

Mail the amended return with any accompanying documents to the Government of the District of Columbia, Office of Tax and Revenue, P.O. Box 601, Washington, D.C. 20044-0601.

Be sure to include on any separately submitted statements, your business name and address, your Federal Employer Identification Number, Form D-20 and the tax period involved.

**F. INTEREST AND PENALTIES:** Interest of .0355921 daily (13% annually) will be assessed on any assessable penalty or tax remaining unpaid after the due date of the franchise tax return (without regard to an extension). The interest is computed daily from the due date of the return to the date when the tax is paid.

A late payment penalty of 5 percent per month or fraction thereof (limited to a 25 percent maximum), will be assessed on any delinquent franchise tax.

In addition, there are penalties for an underpayment due to negligence, a substantial understatement of franchise tax liability and for a substantial valuation misstatement, which may be added to the franchise tax due.

Negligence means a failure to make a reasonable attempt to comply with the tax provisions or the failure to exercise ordinary and reasonable care in the preparation of a tax return without intent to defraud.

A substantial understatement of franchise tax liability occurs when the amount of the understatement exceeds the greater of 10 percent of the tax required to be shown on the return for the taxable year or \$4,000. The penalty is 20 percent of the portion due to negligence.

A valuation misstatement penalty may be applied only if there is an understatement of tax liability greater than \$10,000 that is due to a valuation misstatement. A valuation misstatement subject to a penalty may be either a substantial or gross misstatement.

A valuation misstatement is substantial if the amount determined to be the correct valuation is 200 percent or more (greater or less) than the amount reported on the return. The penalty for this type of misstatement is equal to 20 percent of the underpayment due to the misstatement.

A valuation misstatement is gross if the amount determined to be the correct valuation is 400 percent or more (greater or less) than the amount reported on the return. The penalty for this type of misstatement is equal to 40 percent of the underpayment due to the misstatement.

**Paid Tax Preparer Penalty** provisions provide for a paid tax return preparer penalty when tax liability is understated. Penalties are assessed whenever a paid tax preparer prepares a return or a claim for

refund based on an unrealistic position; where the applicable law or regulation should have been known by the preparer; where relevant facts for the position are not adequately disclosed; where there is a willful attempt to understate a tax liability; or where the preparer fails to sign a return or claim for refund. Penalties range from \$50 to \$1,000 for each return or refund claim.

**Charge for Dishonored Checks.** You will be charged \$65 if your check in payment of any obligation due the District of Columbia is not honored by your bank.

**G. FRAUD PENALTY:** If a portion of an underpayment of tax is due to fraud, a 75 percent penalty will be added to the tax due.

If the Office of Tax and Revenue establishes that a portion of an underpayment is due to fraud, the presumption is that the entire underpayment is due to fraud. The taxpayer has the burden of proof to establish that it is not due to fraud.

**H. INTEREST ON OVERPAYMENTS OF FRANCHISE TAX:** Taxpayers eligible for refunds will receive interest (6% per year) on overpayments for the number of days beginning with the 181st day after the due date of the return, the date the return is filed, or the date of adjustment by the Office of Tax and Revenue, whichever is later, until the date of the refund.

**I. SIGNATURE AND VERIFICATION:** An authorized officer of the corporation must sign the return. A receiver, trustee, or assignee must sign any return that he/she is required to file on behalf of the corporation. Any person who prepared the return for compensation must also sign the return and provide the necessary identification numbers. If a firm or corporation prepares a return, it should be signed in the name of the entity. The signature requirement does not apply when a regular employee of the taxpayer prepares the return.

**J. ESTIMATED TAX:** District of Columbia declaration of estimated corporation franchise tax vouchers (Form D-20ES) must be filed by every corporation that expects its D.C. franchise tax liability to exceed \$1,000 for the taxable year.

To obtain a copy of the D-20ES, Declaration of Estimated Franchise Tax booklet for corporations visit the Customer Service Center at 941 North Capitol St., N.E., (first floor) or call the tax forms center at 202-442-6546.

## WHEN TO FILE DECLARATION VOUCHERS

**A. Calendar year taxpayers** — Your declaration vouchers must be filed on or before the following dates:

**Voucher No. 1:** April 15

**Voucher No. 2:** June 15

**Voucher No. 3:** September 15

**Voucher No. 4:** December 15

**B. Fiscal year taxpayers** — Your declaration vouchers must be filed on or before the following dates:

**Voucher No. 1:** The fifteenth day of the fourth month of your taxable year.

**Voucher No. 2:** The fifteenth day of the sixth month of your taxable year.

**Voucher No. 3:** The fifteenth day of the ninth month of your taxable year.

**Voucher No. 4:** The fifteenth day of the twelfth month of your taxable year.

**If any due date falls on a Saturday, Sunday, or a legal holiday, the voucher is due on the next business day.**

If you have any D.C. tax credit to carry forward from the previous year, file Voucher No. 1 by the due date even if no payment is due.

**INCREASES IN ESTIMATED FRANCHISE TAX** — If initially you are not required to file a declaration but later in the taxable year

your estimated franchise tax liability increases to an amount greater than \$1,000, begin filing vouchers for the remaining periods as shown above.

### **UNDERPAYMENT OF ESTIMATED TAX**

A charge of .0355921 per day (13 percent annually) is imposed on underpayments of estimated franchise tax installment payments. The charge will be computed from the due date of the installment payment to the last day of the month in which the payment is made or the due date of the tax return, whichever is earlier.

This charge is in addition to the penalty imposed for false statements under D.C. Code §22-2514 if any statement made on the voucher is not true, accurate and complete to the best of the declarant's information, knowledge and belief.

### **SPECIFIC INSTRUCTIONS**

Every corporation required to file a return must complete all schedules and also furnish the information required on the Form D-20, in accordance with these Specific Instructions.

If you are entering a negative amount on a line make sure that you fill in the oval to the left of the entry blocks.

**Allocations and Apportionment Required** – Any corporation carrying on a trade or business both within and outside the District must subject all of its business income to apportionment and must allocate to within or outside D.C. those items of income which are clearly determined to be non-business income. Dividend income should be apportioned where the recipient parent's services are not otherwise commensurably compensated.

The net income from trade or business activities must be apportioned to the District in accordance with the appropriate apportionment formula as hereinafter provided.

**Definitions** – of the words and terms used in these instructions (unless the context requires otherwise) are as follows –

**Business income** means income arising from transactions and activities in the regular course of the taxpayer's trade or business. It also includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute parts of the taxpayer's regular trade or business operations. Income of any type, such as manufacturing income, compensation for services, sales income, interest, dividends, rents, royalties, gains, operating and non-operating income from any class or from any source is business income if it arises from transactions and activities occurring in the regular course of a trade or business. The critical factor in determining whether income is business or non-business is the identification of the underlying transactions and activities, which are elements of a particular trade or business. In general, all transactions and activities of the taxpayer that depend on or contribute to the operation of the taxpayer's economic enterprise as a whole constitute the taxpayer's trade or business. These transactions and activities are those arising in the regular course of business and constituting integral parts of the trade or business.

**Commercial domicile** means the principal place from which the trade or business of the taxpayer is directed or managed.

**Compensation** means wages, salaries, commissions and other forms of remuneration paid or accrued to employees for personal services.

**Non-business income** means all income other than business income.

**Transportation company** means any person engaged in the transportation of persons or goods or property of others for hire.

**Sales** mean all gross receipts of the taxpayer, including any dividends, interest and royalties, considered to be business income, which are not required to be allocated.

**Taxable in another state** means, for purposes of allocation and apportionment of income, that a taxpayer is subject to a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business or a corporate stock tax in that other state.

### **INCOME**

(The following numbers correspond to line numbers on page 1 of Form D-20)

**1. GROSS RECEIPTS:** Enter the total gross receipts from sales and operations, minus returns and allowances.

**2. COST OF GOODS SOLD:** Enter the figure shown on Line 7 of Schedule A of Page 3. If the production, manufacture, purchase, or sale of merchandise is an income-determining factor in the trade or business, inventories of merchandise should be taken at the beginning and end of the taxable year. They may be valued at cost, or at cost or market, whichever is lower, or by such other method as used by the corporation, with the consent of the Commissioner of Internal Revenue (for federal income tax purposes). An inventory method once adopted is to be used until permission to change has been obtained from the D.C. Office of Tax and Revenue. If the inventories do not agree with the balance sheet figures, attach a statement explaining the reason for the difference.

**COST OF OPERATIONS** (where inventories are not an income-determining factor): If the amount entered on Line 2, page 1 includes an amount applicable to the cost of operations, attach a statement showing: (1) salaries and wages; and (2) other costs in detail.

**4. DIVIDENDS:** Enter the total amount of all dividends received as reported on Schedule B, Page 3. A corporation is allowed a deduction for Subpart F income (as defined in Section 952 of the Internal Revenue Code). A deduction is allowed for dividends received from a wholly-owned subsidiary.

Include all dividends from sources outside the District that are not trade or business income on Line 29(a), Page 2. Dividends received by corporations, financial institutions or investment firms are considered "business income" not subject to allocation. Dividend income on obligations or securities issued by the United States or its instrumentalities is not taxable by the District.

Dividends received from the following corporations having their principal place of business in the District are treated as non-business income.

- (a) Corporations subject to this franchise tax.
- (b) Insurance corporations including bonding companies and real estate title insurance companies.
- (c) Banks, if the bank dividends were paid to a bank-holding company.

**5. INTEREST:** Enter all interest received by or credited to the corporation during the taxable year including interest paid on obligations of a State, Territory of the United States, or any political subdivision thereof, except on those of the District of Columbia. Include expenses connected with the purchase or production of income from U.S. Treasury securities on Line 29(b), page 2. (Please attach a detailed statement.)

Exclude interest income on obligations or securities issued by the United States or its instrumentalities to the extent included in federal gross income.

Interest received by a corporation not engaged in a trade or business in the District is not considered income from District sources where the interest received is from one of the following organizations with their principal place of business in the District.

- (a) Corporations subject to this franchise tax.
- (b) Insurance corporations including bonding companies and real estate title insurance companies.

- (c) Banks, if the bank dividends were paid to a bank-holding company.

Report this non-business interest income on Line 29(a), page 2.

Do not enter any interest income related to trade or business activity carried on or engaged in within the District on Line 29(a) but rather enter it on Line 5.

**6. GROSS RENTAL INCOME:** Enter the gross amount received from the rental of real or personal property.

**Note:** The extra 30 percent depreciation allowed under federal law is not allowed by the District. Therefore, if you are claiming the 30 percent depreciation on your federal return you will need to reduce the depreciation claimed on your Form D-20 by that amount. Please attach a computation showing that your D.C. claimed depreciation does not include the 30% bonus depreciation and that the basis of the property being depreciated has not been reduced by the 30% bonus depreciation amount.

Rental income related to a trade or business is not to be entered on Line 29(a) but should be entered on line 6.

**7. ROYALTIES:** Report royalty income and related expenses in the same manner as rental income and rental expenses. Royalties from patents developed by the taxpayer from the licensing of processes, sales of know – how and licensing of a trade name are considered “business income.”

**8. a. NET CAPITAL GAIN:** Capital gains or losses are treated in the same manner as they are for federal corporation income tax purposes. Detailed instructions are available with Schedule D of the U.S. Corporation Income Tax Return (Federal Form 1120). Internal Revenue Code, section 1231 gains are considered “business income.”

**Note:** Since the federal 30 percent bonus depreciation is not allowed for D.C. tax purposes any property so depreciated and on which capital gain/loss was reported on your federal return must be adjusted for D.C. tax purposes. Please attach a statement to your D.C. return showing the appropriate adjustments.

**b. ORDINARY GAIN (LOSS):** Enter the total ordinary gain (or loss) from federal Form 4797, (Sales of Business Property). Attach a completed copy of your Form 4797 to your D.C. Form D-20. Such gains are considered “business income.”

**9. OTHER INCOME:** Enter the total amount of income not reported elsewhere in the return and attach a detailed statement. International Banking Facility income should be entered on Lines 9 and 29(a) and you should submit a detailed statement showing what constitutes such income.

Other income related to a trade or business is not to be entered on Line 29(a) but should be entered on line 9.

### **DEDUCTIONS**

(The following numbers correspond to line numbers on page 1 of Form D-20)

Deductions are allowed only to the extent of their relation to income subject to the D.C. corporation franchise tax and subject to the limitations prescribed by the Internal Revenue Code either directly or through the inclusion of such income in the determination of the District of Columbia apportionment factor.

In connection with each of the following items of deductions, enter the total deductions allowed under District law.

Enter on Line 29(b) expenses related to the non-business income allocated either in or outside the District of Columbia.

**11. COMPENSATION OF OFFICERS:** Enter the amount of compensation for all officers as shown on Schedule C, Page 3 of Form D-20. Include compensation for services rendered in any other capacity, except salaries connected with the production of income from U.S. Treasury securities included on Line 29(b).

**12. SALARIES AND WAGES:** Enter the amount of salaries and wages not deducted elsewhere on the return (except salaries connected with the production of income from U.S. Treasury securities, which are to be included on Line 29(b)). Wages used to compute the Economic Development Zone Incentives Credit are not an allowable deduction.

**13. REPAIRS:** Enter the cost of incidental repairs, including labor, supplies, and other items that do not add to the value or appreciably prolong the life of the property. Expenditures for new buildings, machinery and equipment or for permanent improvements or betterments that either increase the value or appreciably prolong the life of the property are chargeable to a capital account.

**14. BAD DEBTS:** Bad debts are treated in the same manner as they are for federal tax purposes and allowed to the same extent as allowed under the Internal Revenue Code. A copy of the pertinent schedule submitted with your federal return must be attached to your Form D-20.

**15. RENT:** Enter the amount of rent paid or accrued for business property in which the corporation has no equity. If any property is leased from an affiliated corporation, or from one of the stockholders, furnish the name and address of the lessor, the amount of rent paid and a description of the property rented.

**16. TAXES:** Enter taxes as reported on Federal Schedule D, page 3. The following taxes are not allowable deductions and are not to be included in Schedule D of Form D-20.

- (a) All income and excess profit taxes.
- (b) Franchise taxes imposed by the D.C. franchise tax law.
- (c) Taxes assessed for local benefits of a kind tending to increase the value of the property assessed.

**17. INTEREST:** Enter interest paid or accrued on business indebtedness. If the corporation has income from investments in securities or other property not subject to this franchise tax, the amount of interest expense subject to apportionment is the proportion of the total interest paid or accrued that the average value of all assets, other than the securities or other investments, bears to the average value of the total assets of the corporation, the remainder is entered on Line 29(b). For this purpose, an average value is computed by adding the beginning and ending value of assets shown on the balance sheet for the tax period and dividing by two, or it may be computed by using the daily balance method or any other method which is of supportable validity. Attach a statement showing this computation.

**18. CONTRIBUTIONS OR GIFTS:** Enter the amount of contributions or gifts actually made in the taxable year to or for the use of any religious, charitable, scientific, literary, military, or educational institution, no part of the net income of which inures to the benefit of any private stockholder or individual. The deduction for contributions may not exceed 15% of the net income before making any deductions for contributions. Detailed information concerning contributions and gifts must be reported in a separate statement attached to the return. Contribution carry-overs are not allowed.

**19. AMORTIZATION:** Amortization is allowed to the same extent as it is on your federal income tax return. Attach a copy of your federal Form 4562, Depreciation and Amortization.

**20. DEPRECIATION:** Enter the amount of depreciation claimed on federal Form 4562. The depreciation allowance does not apply to inventories, stock-in-trade or land. Attach a copy of your Form 4562. You must use the same depreciation method on your D.C. tax return as you used on your federal income tax return if the method is

approved by the Internal Revenue Service. The basis for computing depreciation is the same as that used for federal income tax purposes.

**Note:** The extra 30 percent depreciation allowed under federal law is not allowed by the District. Therefore, if you are claiming the 30 percent depreciation on your federal return you must reduce the depreciation claimed on your Form D-20 by that amount. Please attach a computation showing that your D.C. claimed depreciation does not include the 30% bonus depreciation and that the basis of the property being depreciated has, for D.C. tax purposes not been reduced by the 30% bonus depreciation.

A Qualified High Technology Company may elect to expense depreciable assets in an amount which is the lesser of \$40,000 or the actual cost of the property including leasehold improvements of the type described in IRC Section 179(d)(1).

**21. DEPLETION:** Depletion is allowed to the same extent as it is on your federal income tax return. Attach an explanation to your D-20 as to how the depletion allowance was determined.

**22. ADVERTISING:** Enter the amount paid or incurred during the year for advertising. To be deductible, advertising expenditures must be ordinary and necessary and bear a reasonable relationship to the business activities.

(The following numbers correspond to line numbers on page 2 of Form D-20)

**23. PENSION, PROFIT-SHARING PLANS:** Enter all contributions made to employees' pension, profit-sharing and stock bonus or annuity plans. These contributions are deductible to the same extent as they are for federal income tax purposes.

**24. OTHER DEDUCTIONS:** Enter the amount of other deductions allowed by law and connected with the production of business income subject to the corporation franchise tax. Enter deductions connected directly and indirectly with the production of non-business income, as well as International Banking Facility deductions, on Line 29(b) and explain them in a detailed statement submitted with your return.

**Note:** Relocation costs incurred are not deductible if credits are taken for these costs by the Qualified High Technology Company.

### **FRANCHISE TAX COMPUTATION**

**26. NET INCOME:** Enter on Line 26 the Net Income (Line 10 minus Line 25).

**27. NET OPERATING LOSS DEDUCTION:** Enter the amount of District net operating loss carried forward from a prior year with respect to loss years before the year 2000. There is no net operating loss carryback allowable.

**28. NET INCOME AFTER NET OPERATING LOSS DEDUCTION:** If the total net income is from a trade or business carried on entirely in the District, the figure shown on line 28 should be entered on line 34.

**29.** Report on lines 29(a) and 29(b) non-business income and related expenses. Enter the difference on line 29(c) and submit a detailed explanation of the allocation of income and expenses.

**30-34.** Complete in accordance with instructions on the form.

**35. APPORTIONED NOL DEDUCTION:** Enter the amount of any District apportioned net operating loss carryforward from loss year 2000.

**38.** If line 38(b) includes any credit brought forward from a year prior

to 2001 please attach an explanation.

**39-43.** Complete in accordance with instructions on the form.

**44. RETRAINING COST CREDIT.** Report this credit from Part G, line 5 of D.C. Form D-20 CR.

**45.** Amount to be credited to year 2003 estimated tax.

**46. AMOUNT TO BE REFUNDED.** This is the verpayment on line 43 plus retraining tax credit refund from line 44 minus the amount to be credited to year 2003 estimated tax on line 45.

### **ALLOCATION OF NON-BUSINESS INCOME**

1. Rents and royalties from real or tangible personal property, gains and profits from the sale of property, interest, dividends, rents and royalties from patents, copyrights, trademarks, service marks, secret processes and formulas, franchises and other like property, certain sales of tangible personal property to the United States Government, and any other income from sources within the District, to the extent that they constitute non-business income, are allocated as provided in the following paragraphs (2 through 8).
- 2.(a) Net rents and royalties from real property located in the District are allocable to the District.
- (b) Net rents and royalties from tangible personal property are allocable to the District: (1) to the extent that the property is used or located in the District; or (2) in their entirety if the taxpayer's principal place of business is in the District and the taxpayer is not taxable in the state where the property is used.

The extent of the use of tangible personal property in the District is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days the property is physically located in the District during the rental or royalty periods in the taxable year. The denominator is the number of days of physical location of the property everywhere during all rental or royalty periods in the taxable year. If the physical location of the property during the rental or royalty period is unknown or unascertainable by the taxpayer, the tangible personal property is considered as used in the state in which the property was located at the time the rental or royalty payer obtained possession.

- 3.(a) Gains and losses from sales or other dispositions of real property (other than realty used in the trade or business whether held for sale or otherwise) located in the District, are allocable to the District.
- (b) Gains and losses from sales or other dispositions of tangible personal property (other than tangible personal property of any kind used in the trade or business whether held for sale or otherwise) are allocable to the District if: (1) the property had a situs in the District at the time of sale; or (2) the taxpayer's principal place of business is in the District and the taxpayer is not taxable in the state in which the property had a situs.
- (c) Gains and losses from sales or other dispositions of intangible personal property (other than intangible personal property of any kind used in the trade or business whether held for sale or otherwise) are allocable to the District if the taxpayer's principal place of business is in the District.
4. Interest and dividends of a non-business nature derived from sources in the District are allocable to the District unless specifically excluded from taxation and subject to apportionment as business income.
5. Rents and royalties from patents, copyrights, trademarks, service marks, secret processes and formulas, franchises and other like property are allocable if not derived from a trade or business activity, or used in the trade or business. These royalties are allocated according to where the patent is situated or used, or where the copyrighted material is published or used. If the District is the principal place of business of a corporate entity



which is not subject to tax anywhere else, then the rent or royalty income is allocable to the District.

6. Income from the sale of tangible personal property to the United States Government by a corporation that has its principal place of business outside the District is income from District sources if the property is delivered from outside the District for use in the District.
7. All other non-business income derived from sources in the District is allocable to the District.
8. Where income is allocable both within and outside the District, all expenses, losses and other deductions incurred in the production of the income is similarly allocable. Losses incurred in the production of non-business income are allowed if profits from the transaction would be taxable under the law.

### **FORM D-20 SCHEDULES**

**SCHEDULE E – Reconciliation of Net Income Reported on Federal and District of Columbia Returns:** Please furnish the required information in order to account for any differences between the net income reported on the federal return and that reported on the District return.

**SCHEDULE F – D.C. Apportionment Factor:** Corporations carrying on their trade or business both within and outside the District must use the three factor formula to apportion business income to the District. Corporations domiciled in the District and not subject to tax anywhere else must report 100% of their net business income to the District and allocate 100% of their non-business income to the District.

A corporation engaging in a trade or business both within and outside the District shall apportion trade or business income to the District by multiplying the total income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor. The denominator is three, reduced by the number of factors, if any, having no denominator.

Financial institutions must use a two factor formula, determined by multiplying the financial institution's base (net income for the taxable year) by an apportionment fraction, the numerator of which is the sum of the payroll factor plus the gross income factor and the denominator is 2.

#### **A. Property Factor.**

(1) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned by or rented to the taxpayer and used by the taxpayer in the District during the taxable year. The denominator is the average value of all the taxpayer's real and tangible personal property owned by or rented to the taxpayer and used by the taxpayer during the taxable year, except that neither the numerator nor the denominator of the property factor shall include property, or any portion thereof, which is not used to produce business income.

(2) **In the case of transportation companies,** the numerator of the property factor, in addition to that of other property described in (1) above, shall include that portion of the average value of vehicles, rolling stock, aircraft, all watercraft and other equipment used by the taxpayer during the taxable period to transport persons and property both within and outside the District as the total miles per unit of equipment traveled in the District by each class of such property bears to the total miles per unit of equipment traveled everywhere by each class of property.

**In the case of railroad companies,** the classes of property referred to above are those classes required to be reported for District personal property tax purposes (Section § 47-1512, D.C. Code, 1981).

(3) Where property is used in any activities the income from which is allocable or apportionable under D.C. regulations, the taxpayer may employ, subject to the approval of the D.C. Office of Tax and Revenue, or as that Office may require, the use of any method which will properly reflect the portion of the average value thereof to be used in arriving at the property factor.

(4) Property owned by the taxpayer is valued at its original cost to the taxpayer plus the cost of any additions and improvements. If the original cost to the taxpayer of any property cannot be determined or is zero, the property will be valued by the D.C. Office of Tax and Revenue at an amount equal to its market value at the time of its acquisition by the taxpayer. Property rented to the taxpayer is valued at eight times the net annual rental rate. This is the annual rental rate paid by the taxpayer minus any annual rental rate received by the taxpayer from sub-rentals, if the rental and sub-rental rates are reasonable. The term "net annual rental rate" also includes amounts paid or accrued for the use or rental of the property or facilities of another whether paid as rent, as reasonable compensation for use or under any other designation, and whether paid pursuant to statutory enactment, lease, or rental agreement of any kind, contract, or otherwise. However, payments for leased property, which are capitalized for federal tax purposes, are not considered rent and will only be included in this factor to the extent of its capitalized value for federal tax purposes. If the D.C. Office of Tax and Revenue determines that any net annual rental rate or sub-rental rate is unreasonable, or if a nominal or zero rate is charged, it may determine and apply a rental rate that will reasonably reflect the rental value of the property rented by the taxpayer.

(5) The average value of property is determined by averaging the values at the beginning and end of the tax period. However, a taxpayer may use, subject to the approval of the D.C. Office of Tax and Revenue, or that Office may require the averaging of monthly or quarterly values during the tax period, if necessary, to properly reflect the average value of the taxpayer's property.

**B. Payroll Factor:** (1) The payroll factor is a fraction, the numerator of which is the total compensation paid or accrued by the taxpayer for persons performing services in the District during the taxable year. The denominator is the total compensation paid or accrued by the taxpayer everywhere during the taxable year. However, neither the numerator nor the denominator of the payroll factor includes compensation paid or accrued to employees for personal services rendered in the production of non-business income. Compensation paid or accrued other than in cash shall be valued at its fair market value as of the date of payment or accrual. Payments to independent contractors are not used in computing the payroll factor.

(2) **In the case of transportation companies,** the numerator of the payroll factor, in addition to other compensation previously described in paragraph (1), includes that portion of the total compensation paid or accrued to employees who are employed on vehicles, rolling stock, aircraft, all watercraft, and other equipment used by the taxpayer during the taxable period to transport persons and property both within and outside the District. This is determined by applying to that total compensation the percentage previously computed pursuant to Paragraph A(2) relating to the portion of the average value of vehicles, rolling stock, aircraft, all watercraft and other equipment of transportation companies to be included in the numerator of the property factor.

(3) Where compensation is paid or accrued for services the income from which is allocable or apportionable under D.C. regulations, the taxpayer may use, subject to the approval of the D.C. Office of Tax and Revenue or that Office may require the use of, any method which will properly reflect the portion thereof to be used in arriving at the payroll factor.

(4) Compensation is paid or accrued in the District if:

- (a) the individual's services are performed entirely within the District; or
- (b) the individual's services are performed both in and outside the District, but the services performed outside the District are incidental to the individual's services in the District; or
- (c) some of the individual's services are performed in the District and: (1) the base of operations or, if there is no

base of operations, the place from which the services are directed or controlled is in the District; or (2) the base of operations or the place from which the services are directed or controlled is not in the District, or in any state in which some part of the services are performed but the individual's residence is in the District.

**(5) In the case of financial institutions,** the payroll factor is a fraction, the numerator of which is the total amount paid or accrued in the District by the financial institution as compensation. The denominator is the total amount paid or accrued everywhere by the financial institution as compensation during the taxable year. Compensation is paid in the District if it is paid to an employee considered to be located or as having a regular presence in the District. Any compensation paid by a financial institution to an employee located in a state in which the financial institution is not taxable is considered to have been paid in the District, if the financial institution has its principal office located in the District.

**C. Sales Factor.** (1) The sales factor, except for transportation companies is a fraction, the numerator of which is the total sales of the taxpayer in the District during the taxable year. The denominator is the total sales of the taxpayer everywhere during the taxable year.

**(2) The sales factor in the case of transportation companies** is a fraction, the numerator of which is the total revenue units first received by the company as originating or connecting traffic at a point in the District plus the total revenue units discharged or unloaded by the company at a point in the District at the termination of the transportation movement or for transfer to a connecting carrier. The denominator is twice the total revenue units originated everywhere during the taxable year. One ton of freight constitutes one revenue unit; ten passengers constitute one revenue unit. If the company's revenue is predominantly from the transportation of passengers, the number of passengers loaded and discharged may be used in place of originating and terminating tonnage.

**(3) Sales of tangible personal property,** including sales to the United States Government, are in the District, regardless of the point of passage of title, F.O.B. point, or other conditions of the sales, if:

- (a) the property is delivered or shipped to a purchaser in the District; or
- (b) the ultimate destination of the property, after all transportation including transportation by the purchaser has been completed, is a point in the District; or
- (c) the property is delivered or shipped from an office, store, warehouse, factory or other place of storage in the District to a destination outside the District and the taxpayer is not taxable in the state to which the property is delivered or shipped.

**(4) Except for transportation companies,** sales other than sales of tangible personal property, are in the District if:

- (a) the income-producing activity or service is performed in the District; or
- (b) the income-producing activity or service is performed both within and outside the District and a greater proportion of the income-producing activity or service is performed in the District than is performed in any other jurisdiction, based on the cost of performance.

**(5) The Sales Factor in the case of a financial institution is a gross income factor,** being a fraction, the numerator of which is the financial institution's gross income considered as located in the District during the taxable year. The denominator is the total gross income of the financial institution during the taxable year.

- (a) A financial institution whose commercial domicile is in

the District and which is subject to tax in another jurisdiction, includes in the numerator of the income factor for the District any income not required by the other jurisdiction to be included in the numerator of an income factor.

- (b) All interest, loan placement fees, discount, net gain and other forms of gross income from each loan, which is secured primarily by real estate are considered located in the District if the predominant part of the secured property is or will be located in the District.
- (c) All interest, loan placement fees, discount and net gain from each unsecured loan and each loan secured primarily by tangible or intangible personal property, or any participating interest therein are considered to be located in the District if the loan is originated in the District.
- (d) In the case of a financial institution whose commercial domicile is in the District, income from securities, investments, money market instruments or from any other source not required to be apportioned outside the District, is considered to be located in the District. This income shall include but is not limited to interest, dividends and net gains.
- (e) All fees, commissions, service charges and other forms of gross income from the sale of depository or financial services are considered to be located in the District if the service is performed in the District. Sales or service rendered in two or more tax jurisdictions will, for purposes of the numerator, be included in the numerator of the jurisdiction in which the greater portion of the income-producing activity is performed, based on the cost of performance.
- (f) Gross income from the lease of tangible property is considered to be located in the District if the property is located in the District.

All income described previously which is located in a jurisdiction where the financial institution is not subject to tax is considered to be located in the District if the principal office of the financial institution is located in the District.

**D. General.** If using the rules for the allocation and apportionment of income results in a tax that does not fairly represent the taxpayer's tax liability arising either from a trade or business in the District or from non-business sources in the District, the taxpayer may petition for, or the D.C. Office of Tax and Revenue may require, with respect to all or part of the taxpayer's trade or business or non-business income, if reasonable:

- (1) a separate accounting, unless the entity is conducting a unitary business;
- (2) exclusion of one or more of the factors;
- (3) inclusion of one or more additional factors which will reflect the extent of the taxpayer's trade or business in the District; or
- (4) use of any other method to effect a fair allocation and apportionment of the taxpayer's income.

**Supplemental information (Page 5 of Form D-20):** Please answer all questions contained in this schedule.

**SCHEDULE G – Balance Sheets (Page 4 of Form D-20):** Submit balance sheets as of the beginning and end of the taxable year. They should conform to the corporation's books and records, and agree with the same schedule on the corporation's Federal corporation tax return. Any variation must be explained in a statement attached to the Form D-20.

**SCHEDULES H-1 and H-2 – Reconciliation of Income (loss) per Books with Income (loss) per Return and Analysis of Unappropriated Retained Earnings per Books (Page 5 of Form D-20):** The schedule should conform to the similar schedule on the Federal corporation tax return filed by the corporation.

## ECONOMIC DEVELOPMENT ZONE INCENTIVES CREDIT

**Supporting Documentation Required:** If you are claiming an Economic Development Zone Incentives (EDZI) credit against your D.C. corporate franchise tax liability, you MUST attach to your return:

1. A copy of the D.C. Council resolution approving the qualification for any credits claimed;
2. A certification of eligible employees issued by the D.C. Department of Employment Services; and
3. A completed Economic Development Zone Incentives Credit Worksheet.

The Economic Development Zone Incentives Amendment Act of 1988 (EDZI) allows a qualified business, under certain circumstances to take various credits against its corporate franchise tax liability. (The maximum annual credit is \$7500.) A qualified business is an incorporated business approved as qualified under Section 5 of EDZI by the D.C. Office of Economic Development. You MUST complete the worksheet below and include the necessary attachments with your return. The following credits are allowed under EDZI to qualified businesses:

1. a credit against the corporation franchise tax in an amount equal to 50% of the wages of all certified

employees who meet the requirements of Section 10(b) of EDZI;

2. a credit against the corporation franchise tax in an amount equal to 50% of the insurance premiums attributable to all employees for whom it obtains employer liability insurance under the District of Columbia Worker's Compensation Act of 1979; and
3. a rent credit for lessors against the corporation franchise tax. The credit allowed is the difference between the rental market value of the space leased to a licensed non-profit child care center and the actual rent stated in the lease agreement as indicated in the D.C. Council resolution approving the qualification of the business. A non-profit child care center is a child development center as defined in Section 10 of EDZI.

A credit carry forward for five years is provided in the worksheet for any EDZI credit not used in a previous year. The maximum amount that may be claimed in any year is \$7500, including any carry forward.

### ECONOMIC DEVELOPMENT ZONE INCENTIVES CREDIT WORKSHEET (MAXIMUM ANNUAL CREDIT IS \$7,500)

Column 1 - Credit Category	Column 2	Column 3	Column 4
A. Certified employees wages	Total Wages \$	50% of Wages Col. 2 x .50 =	\$
B. Certified (eligible employees) workers' compensation liability insurance premiums	Total Premiums \$	50% of Premiums Col. 2 x .50 =	\$
C. Child care center rent (lessor).....	Rental market value .....	\$	
	Minus rent shown on lease agreement .....	\$	
	Total child care center credit		\$
	Total of Column 4 (if more than \$7,500, enter \$7,500)		\$
	Add EDZI credit carry forward from a previous year		
	Total EDZI credit (enter on Line 38 (c), Page 2)		\$



Federal Employer I.D. Number										Number of business locations										Type of business										OFFICIAL USE																																							
In the District:										Outside the District:																																																											
Name of corporation																																								Taxable year ending MM/DD/YYYY																													
D.C. business address line #1																																								Fill in <input type="radio"/> if your address is different from last year's return.																				Fill in if filing an <u>AMENDED RETURN</u> <input type="radio"/>									
D.C. business address line #2																																																												Fill in if filing as a <u>certified QHTC</u> <input type="radio"/>									
Mailing address line #1																														State										ZIP + 4										-																			
Mailing address line #2																																																												Fill in if filing a <u>CONSOLIDATED RETURN</u> <input type="radio"/>									
City																														State										ZIP + 4										-																			

- READ INSTRUCTIONS BEFORE PREPARING RETURN - (Non-Business Items Are To Be Allocated)

Round all amounts to the nearest dollar.  
If amount is zero, leave line blank.

## GROSS INCOME

- |     |  |  |
|-----|--|--|
| 1.  | <b>Gross receipts, minus returns and allowances</b>  |  |
| 2.  | <b>Cost of goods sold (from Schedule A) and/or operations</b> Attach statement.                |  |
| 3.  | <b>Gross profit from sales and/or operations</b><br>Line 1 minus Line 2.                       | Fill in if minus: <input type="text"/> |
| 4.  | <b>Dividends</b> From Schedule B.  |  |
| 5.  | <b>Interest</b> Attach statement.  |  |
| 6.  | <b>Gross Rental Income</b>   | Fill in if minus: <input type="text"/> |
| 7.  | <b>Royalties</b> Attach statement.   |  |
| 8.  | <b>(a) Net Capital Gain</b> Attach copy of your Federal Schedule D.                            | Fill in if minus: <input type="text"/> |
|     | <b>(b) Ordinary gain (loss) from Part II, Federal Form 4797</b> Attach copy of your Form 4797. | Fill in if minus: <input type="text"/> |
| 9.  | <b>Other income</b> Attach statement.  | Fill in if minus: <input type="text"/> |
| 10. | <b>Total gross income</b> Add Lines 3 through 9.   | Fill in if minus: <input type="text"/> |

[illegible]

## DEDUCTIONS

11. **Compensation of officers** From Schedule C.
12. **Salaries and wages**
13. **Repairs**
14. **Bad Debts** See instructions.
15. **Rent** (Do not claim the Federal 30% depreciation amount.)
16. **Taxes** From Schedule D.
17. **Interest** Attach statement.
18. **Contributions or gifts** Attach statement.
19. **Amortization** Attach copy of your Federal Form 4562.  
See Instructions.
20. **Depreciation** Attach copy of your Federal Form 4562.  
Do not include the Federal 30% depreciation amount. See instructions.
21. **Depletion** Attach statement.
22. **Advertising**

Federal Employer I.D. Number : \_\_\_\_\_



# SMOILCDED

## TAXABLE INCOME

## TAX

PLEASE  
SIGN  
HERE

\_\_\_\_\_  
Officer's signature

---

Title

Date \_\_\_\_\_

Telephone number of person to contact

PAID  
PREPARER  
ONLY

Preparer's signature (If other than taxpayer)

Date \_\_\_\_\_

Firm name

Firm address

Preparer's FEIN, SSN or PTIN

[illegible]

2002 D-20

the third month following the close of the tax year. Make check or money order payable to the D.C. Treasurer. Include your Federal Employer ID Number, "D-20" and tax year on your payment.

Schedule A - Cost of Goods Sold (See specific instructions for Line 2)		Schedule B - Dividends (See specific instructions for Line 4)	
1. Inventory at beginning of year.....	\$	NAME AND ADDRESS OF DECLARING CORPORATION	AMOUNT
2. Merchandise bought for manufacture or sale.....			
3. Salaries and wages.....			
4. Other costs per books (attach statement)..... (30% add'l. federal deprec. is not allowable)			
5. Total .....	\$		
6. Minus: Inventory at end of tax year.....			
7. Cost of goods sold (enter here and on Line 2, Page 1).....	\$		
<b>METHOD OF INVENTORY VALUATION:</b>			
		<b>TOTAL DIVIDENDS</b>	
		Minus deduction for Subpart F Income	
		Minus deduction for dividends received from wholly-owned subsidiary	
		<b>TOTAL (enter here and on Line 4, Page 1).....</b>	\$

**Schedule C - COMPENSATION OF OFFICERS (See specific instructions for Line 11)**

Col. 1 Name, Address and SSN of Officer	Col. 2 Official Title	Col. 3 Time Devoted to Business	Percent of Corporation Stock Owned		Col. 6 Amount of Compensation	Col. 7 Expense Account Allowances
			Col. 4 Common	Col. 5 Preferred		
		0%	0%	0%		
		0%	0%	0%		
		0%	0%	0%		
		0%	0%	0%		
<b>TOTAL COMPENSATION OF OFFICERS (also enter on Line 11, Page 1).....</b>					\$	

**Schedule D - Taxes (See specific instructions for Line 16)**

EXPLANATION	AMOUNT	EXPLANATION	AMOUNT
	\$		\$
		<b>TOTAL (enter here and on Line 16, Page 1)</b>	\$

**Schedule E - RECONCILIATION OF NET INCOME REPORTED ON FEDERAL AND DISTRICT OF COLUMBIA RETURNS**

1. Taxable income before net operating loss deduction and special deductions (Page 1 of your Federal corporate return) .....	\$	7. Total District taxable income reported (Line 36, Page 2). . .	\$
<b>UNALLOWABLE DEDUCTIONS AND ADDITIONAL INCOME</b>		<b>NON-TAXABLE INCOME AND ADDITIONAL DEDUCTIONS</b>	
2. Income taxes (see specific instructions for line 16) .....		8. Net income apportioned or allocated outside the District of Columbia .....	
3. District of Columbia income taxes and franchise taxes imposed by D.C. Revenue Act of 1947, as amended. ....		9. Other non-taxable income and additional deductions (itemize):	
4. Interest on obligations of states, territories of the U.S. or any Political Subdivision thereof. ....		(a) .....	
5. Other unallowable deductions and additional income ((including the 30 percent bonus depreciation taken)-(itemize))		(b) .....	
(a) .....			
(b) .....			
6. TOTAL (Lines 1 to 5). ....	\$	10. TOTAL (Lines 7, 8 and 9). ....	\$

**Schedule F - D.C. APPORTIONMENT FACTOR** (See instructions under Form D-20 schedules - - Carry all factors to six decimal places.)

	COL. 1 TOTAL	COL. 2 IN D.C.	COL. 3 FACTOR (Col. 2 divided by Col. 1)
1. <b>PROPERTY FACTOR:</b> Average value of real estate and tangible personal property owned or rented to and used by the corporation (Financial institutions do not complete this item). . . . .	\$ _____	\$ _____	_____
2. <b>PAYROLL FACTOR:</b> Total compensation paid or accrued by the corporation. . . . .	\$ _____	\$ _____	_____
3. <b>SALES FACTOR:</b> All gross receipts of the corporation other than gross receipts from items of non-business income. . . . .	\$ _____	\$ _____	_____
4. <b>SUM OF FACTORS:</b> (Add Column 3) . . . . .			_____
5. <b>D.C. APPORTIONMENT FACTOR:</b> Line 4 divided by the number 3; or 3 reduced by the number of factors without a denominator. . . . .			_____

Note: Financial institutions using a two-factor formula should divide Line 4 by the number 2. (Enter on line 31.)

**Schedule G - BALANCE SHEETS**

		BEGINNING OF TAXABLE YEAR		END OF TAXABLE YEAR	
		(A) AMOUNT	(B) TOTAL	(A) AMOUNT	(B) TOTAL
<b>ASSETS</b>	1. Cash . . . . .				
	2. Trade notes and accounts receivable . . . . .				
	(a) MINUS: Allowance for bad debts. . . . .				
	3. Inventories . . . . .				
	4. Gov't obligations: (a) U.S. and its instrumentalities . . . . .				
	(b) State, subdivisions thereof, etc. . . . .				
	5. Other current assets (attach statement). . . . .				
	6. Loans to stockholders. . . . .				
	7. Mortgage and real estate loans. . . . .				
	8. Other investments (attach statement). . . . .				
	9. Buildings and other fixed depreciable assets . . . . .				
	(a) MINUS: Accumulated depreciation. . . . .				
	10. Depletable assets. . . . .				
	(a) MINUS: Accumulated depletion. . . . .				
11. Land (net of any amortization). . . . .					
12. Intangible assets (amortizable only) . . . . .					
(a) MINUS: Accumulated amortization . . . . .					
13. Other assets (attach statement) . . . . .					
14. <b>TOTAL ASSETS</b> . . . . .					
<b>LIABILITIES AND CAPITAL</b>	15. Accounts payable . . . . .				
	16. Mortgages, notes, bonds payable in less than 1 year. . . . .				
	17. Other current liabilities (attach statement). . . . .				
	18. Loans from stockholders . . . . .				
	19. Mortgages, notes, bonds payable in 1 year or more . . . . .				
	20. Other liabilities (attach statement) . . . . .				
	21. Capital stock: (a) Preferred stock . . . . .				
	(b) Common stock . . . . .				
	22. Paid-in or capital surplus (attach statement) . . . . .				
	23. Retained earnings - Appropriated (attach statement) . . . . .				
	24. Retained earnings - Unappropriated . . . . .				
	25. MINUS: Cost of treasury stock . . . . .		( )		( )
26. <b>TOTAL LIABILITIES AND CAPITAL</b> . . . . .					

**Schedule H-1 - RECONCILIATION OF INCOME (LOSS) PER BOOKS WITH INCOME (LOSS) PER RETURN**

1. Net income per books. ....		7. Income recorded on books this year not included in this return (itemize)	
2. Federal income tax. ....		(a) Tax-exempt interest \$ _____	
3. Excess of capital losses over capital gains . .			
4. Taxable income not recorded on books this year (itemize) . . . . .		8. Deductions on this tax return and not charged against book income this year (itemize)	
5. Expenses recorded on books this year and not deducted on this return (itemize)		(a) Depreciation . . . . . \$ _____	
(a) Depreciation . . . . . \$ _____		(b) Depletion . . . . . \$ _____	
(b) Depletion . . . . . \$ _____			
6. TOTAL of Lines 1 through 5. ....		9. TOTAL of Lines 7 and 8 . . . . .	
		10. Income (line 28, page 1 of Form 1120) (Line 6 minus Line 9)	

**Schedule H-2 - ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS**

1. Balance at beginning of year . . . . .		5. Distributions: (a) Cash. ....	
2. Net income per books. ....		(b) Stock . . . . .	
3. Other increases (itemize). . . . .		(c) Property . . . . .	
		6. Other decreases (itemize) _____	
		7. TOTAL of Lines 5 and 6. ....	
4. TOTAL of Lines 1,2 and 3		8. Balance at end of year (Line 4 minus Line 7). .	

**SUPPLEMENTAL INFORMATION**

1. STATE OR COUNTRY OF INCORPORATION	2.(a) DATE OF INCORPORATION	2.(b) DATE BUSINESS BEGAN IN D.C.	3. IRS SERVICE CENTER WHERE FEDERAL RETURN WAS FILED FOR PERIOD COVERED BY THIS RETURN:
4. THE CORPORATION'S BOOKS ARE IN CARE OF	5. LOCATED AT		
6. During 2002, has the Internal Revenue Service made or proposed any adjustments to your federal income tax returns, or did you file any amended returns with the IRS? <input type="checkbox"/> YES <input type="checkbox"/> NO If "YES", please submit separately a detailed statement, unless previously submitted, to the address shown in General Instructions item E.			
		If previously submitted, Detailed statement was submitted on: (Date)	
7. Is this corporation affiliated with a partnership or another corporation? <input type="checkbox"/> YES <input type="checkbox"/> NO If yes, explain:			
8. Is this return made on the accrual basis? <input type="checkbox"/> YES <input type="checkbox"/> NO If no, indicate basis used: <input type="checkbox"/> Cash Basis <input type="checkbox"/> Other (specify)			
9. Did you file a franchise tax return with the District of Columbia for the year 2001? <input type="checkbox"/> YES <input type="checkbox"/> NO If no, state reason			
10. Did you withhold D.C. income tax from the wages of your D.C. employees during 2002? <input type="checkbox"/> YES <input type="checkbox"/> NO If no, state reason:			
11. Have you filed annual information returns, Federal forms 1096 and 1099, pertaining to payment of dividends and interest for 2002? <input type="checkbox"/> YES <input type="checkbox"/> NO			
12. (a) Has the business been terminated? <input type="checkbox"/> YES <input type="checkbox"/> NO If yes, explain and give date: (b) Have you moved out of D.C.? <input type="checkbox"/> YES <input type="checkbox"/> NO			





# AUTHORIZATION AND CONSENT OF SUBSIDIARY CORPORATION TO BE INCLUDED IN A CONSOLIDATED CORPORATION FRANCHISE TAX RETURN

For taxable year beginning \_\_\_\_/\_\_\_\_/\_\_\_\_, and ending \_\_\_\_/\_\_\_\_/\_\_\_\_

## Attach to your return

(Please type or print)

For the first taxable year a consolidated return is filed, this form must be completed by each subsidiary, and attached to the return.

Name \_\_\_\_\_ Federal employer identification number \_\_\_\_\_

Number and street \_\_\_\_\_

City or town, state, and ZIP code \_\_\_\_\_

Name of common parent corporation \_\_\_\_\_ Federal employer identification number (common parent) \_\_\_\_\_

The subsidiary corporation named above authorizes its common parent corporation to include it in a consolidated return for the taxable year indicated. The authorization also applies to each succeeding taxable year, unless the Office of Tax and Revenue consents to a discontinuance.

Under penalties of perjury, I declare that the subsidiary named above has authorized me to sign this form on its behalf, that I have examined this form and the information contained herein, and to the best of my knowledge and belief, it is correct and complete.

Signature of corporate officer \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

Name of corporate officer (print or type) \_\_\_\_\_ Telephone number \_\_\_\_\_

### Purpose of Form

The common parent of an affiliated group that files a federal consolidated return which has gross income from District of Columbia sources may elect to file a District of Columbia consolidated return. The election by the common parent is effective only if accompanied by written consents to the election signed by each of the members of the affiliated group. This form is to be used by each of the subsidiary corporations included in the affiliated group to consent to the election made by the common parent. The consent form must be signed by a current officer of each subsidiary in the affiliated group.

### Elections for Taxable Years Beginning on January 1, 2001 and thereafter

The election must be made by the common parent on or before the due date, including any extensions, for filing the original return.

### How to Make an Election to File a District of Columbia Consolidated Corporation Franchise Tax Return

- Complete a separate Form for each subsidiary included in the District of Columbia affiliated group for the taxable year for which the election is made. The Form for each subsidiary must be signed by a current officer of that subsidiary.
- File all the completed Forms (for each subsidiary included in the District of Columbia affiliated group) AND the tax return by the due date, including extensions, for filing the original return.
- In taxable years after the election, any new member joining a District of Columbia affiliated group is required to complete this authorization. The completed form must be attached to the District of Columbia Form D-20 for the first taxable year in which the new member joins the District of Columbia affiliated group.

## AFFILIATED GROUP SCHEDULE

NAME OF AFFILIATED GROUP			FOR TAXABLE YEAR BEGINNING		
			MO	DAY	YR
ADDRESS			FEDERAL EMPLOYER IDENTIFICATION NUMBER (FEIN) (OF COMMON PARENT)		
CITY	STATE	ZIP	TELEPHONE NUMBER (       )		

[illegible]

## AFFILIATED GROUP SCHEDULE INSTRUCTIONS

The information requested on this form is needed to identify each member of the District of Columbia Affiliated Group that is subject to the D.C. Corporation Franchise Tax.

Attach a copy of federal Form 851, Affiliations Schedule, to your Form D-20.

File this schedule for each year a District of Columbia consolidated corporation franchise tax return is filed.

**Column A** – List parent and subsidiary corporations included in the District of Columbia Consolidated Franchise Tax Return.

**Column B** – Give the Federal Employer Identification Number (FEIN) for each corporation listed.

**Column C** – Indicate whether or not each company listed filed a separate corporate franchise tax return with D.C. in the prior tax period.

**Column D** – Indicate whether or not this company is new to the Federal Consolidated Group.

**Column E** – Indicate whether or not the company received gross income from District of Columbia sources.



Government of the District of Columbia  
Office of Tax and Revenue

# Net Operating Loss Deduction For Loss Year

Prior to 2000  
2000 and After

Enter Year

\_\_\_\_\_  
\_\_\_\_\_

Complete a separate D-20 NOL for each business carrying forward an NOL.

Be sure to list NOLs prior to the year 2000 separate from those for 2000 and after.

Name of corporation			FEIN -
Year	District net income/loss	Losses claimed	Losses remaining
Oldest loss year			
Subsequent year 1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
2002 Summary:		Total losses claimed	Total losses remaining (to be carried forward)



**NOTE:** If receivers, trustees in bankruptcy, or assignees are in control of the property or business of the organization, they must sign the request.

TAXPAYER NAME : \_\_\_\_\_

FEDERAL EMPLOYER I.D. NUMBER/SSN : \_\_\_\_\_



<b>PLEASE SIGN HERE</b>	Under penalties of law, I declare that I have examined this return and, to the best of my knowledge, it is correct. Declaration of paid preparer is based on all information available to the preparer.		
	Telephone Number of Person to Contact <div><div></div><div></div><div></div> - <div></div><div></div><div></div> - <div></div><div></div><div></div><div></div></div>		
<b>CORPORATE SEAL</b>	TAXPAYER(S) SIGNATURE(S) (See Instructions)	TITLE	DATE
<b>PAID PREPARER ONLY</b>	PREPARER'S SIGNATURE (If other than taxpayer) DATE		
	PREPARER'S FEIN, SSN or PTIN <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>		
	FIRM NAME		
	FIRM ADDRESS		

Mail return and payment to: Government of the District of Columbia, Office of Tax and Revenue, 6<sup>th</sup> Floor, 941 North Capitol St., N.E. Washington, D.C. 20002. Make check or money order payable to the D.C. Treasurer. Include your Federal Employer ID number (or SSN), "FR-128" and tax year on your payment.